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TOWN OF WESTBOROUGH
SELECTMAN'S OFFICE

Board of Selectmen
Town of Westborough
34 West Main St.
Westborough MA 01581

Re: Westborough Country Club Operations Review Committee Report & Recommendations

Dear Selectmen:

Enclosed please find our "Review Committee" report and recommendations regarding the operations of the Westborough Country Club, as requested by the Selectmen at your meeting held on September 12, 2017.

We believe we have completed the task requested, ask that you accept our report and recommendations, and discharge the Review Committee from further responsibilities.

Thank you for the opportunity to be of service to the Town of Westborough.

Respectfully yours,

Katherine Welch, Chair
Sandra Robichaud, Vice-Chair
Donald Bouffard
David Hall
Jennifer Kirkland
Henry Rauch
Earl Storey

Report of the Country Club Operations Review Committee

Executive Summary:

The Country Club Operating Committee (the “Operating Committee”) is responsible for the “...operation, maintenance, and promotion of activities and programs...” of the golf course pursuant to Town Meeting vote on 3/17/1980. That committee has been concerned for a number of years that declining revenue and diminishing reserves are challenging the financial viability of the golf course.

After discussing and evaluating possible changes to the operations of the golf course, the Operating Committee felt that exploring a “town employee management system” warranted additional consideration. Since this change would have effects on Town departments and beyond, they recommended to the Board of Selectmen that a committee be established to further research the town employee management option. The Review Committee was formed in the fall of 2017.

Starting with research done by the Operating Committee, the Review Committee held fourteen meetings over the last ten months, conducted additional research, and met and talked with many people involved with the golf course and the golf industry.

Based upon our research, discussions, and interviews, we recommend:

A. The Highest and Best Use of the Property is continued use as a golf course.

B. Adoption of the following mission statement for the golf course:

The mission of the Westborough Country Club is to provide a premier municipal golf course for players of all ability levels, offer affordable memberships and greens fees, a quality golf course, in a welcoming environment for Westborough residents and the area golf community.

C. The most effective management structure would be to continue to contract out maintenance operations, and to have a Town employee, under the direction of the Recreation Department, manage the golf operations.

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I. Statement of Purpose.

The purpose of this report is to provide data and information so as to promote a thorough understanding of the current situation and strategic options for the future operation of the Westborough Country Club ("WCC").

II. Property History.

In 1974 the Town purchased a 109.7 acre West Main St. property for \$418,000, utilizing federal and state government grants, Town borrowings, and gifts. Of the total property acreage, 66+ acres (\$267,500) was allocated to be used for Recreational purposes – the Westborough Country Club.

Over the 40+ years of Town ownership, through an ambitious and expensive renovation plan, the course has been continually modified and upgraded. We now have one of the best municipal golf courses in the area, with playing conditions equal to or better than many privately owned courses. Some improvements are still needed (i.e. expansion of the sixth green, fourth green/fifth tee grounds area, and some cart path work) but no major improvements are planned at this time.

The clubhouse building, rebuilt in 1995 to meet ADA needs, is functional but worn, and needs technology upgrades. Critical needs are point-of sale, management information, and client contact systems. Other needs, which include a security system, are described in the June 2009 Massachusetts Inspector General advisory on Municipal Golf Courses.

III. Current Situation.

A. Golf Course Industry Outlook and Local Competition.

2008 was the beginning of a severe economic recession that affected all sectors of the economy - particularly the entertainment and recreation industries. Participation in golf activities dropped, and public/media interest declined as Tiger Woods left the golf scene.

As a result of the above, there has been considerable change in the golf course industry over the last few years. Previous overbuilding of courses led to financial stress and closures. In our local market area: Sterling, Mt. Pleasant, Pleasant Valley, Whitinsville, Auburn (Pakachoag) all have seen ownership and/or of significant management changes. Nine-hole courses seem particularly vulnerable: Winchendon has closed, par-three Stony Brook closed, Millwood is potentially closing, and the Indian Meadows property has been sold to non-golf interests. Even driving ranges East Coast and Rotary are closed and the properties redeveloped to other uses.

Other major issues facing the golfing community are the changing nature of our society and the workplace. The number of people interested in spending 4/5+ hours to play an eighteen-hole round of golf has been going down. "Flex time", "remote work", "24/7 availability" all affect when and how people spend their leisure time.

Golf activities at our golf course reflect the above changes. Members and membership revenue have declined in eight out of the last ten years. In 2013, we had 266 adult members that paid \$234,967 in membership fees; in 2018, we have 201 members and \$198,000. Participation in our golf activities like “sweeps” and “tournaments” also appears to be down.

Fortunately, our non-member daily “green fees” revenue has been increasing. We expect 2018 to be a record year with revenue of approximately \$190,000.

The good news for the golf industry is that rounds played nationally have stabilized. The National Golf Foundation reports that interest in golf from non-golfers is increasing, and the number of golfers age 65+ and under age 35 are increasing.

With an attractive, well maintained, well located, 9-hole course, we are well positioned to attract new golfers – **“Got 2 hours? – Come Play!”**.

B. Westborough Country Club

1. Management.

The operations of the Westborough Country Club have been overseen by the Operations Committee since the fall 1980 Town meeting, subject to contracts for course maintenance and golf operations.

For maintenance operations, the Town pays for equipment and supplies and the maintenance operation is contracted out to the Golf Course Superintendent. In that contract, the Superintendent receives a monthly fee.

For golf operations, the Town provides the golf shop and utilities and the golf operation is contracted out to the Golf Manager. In that contract, the Manager receives a monthly fee, plus the revenue from: golf carts, locker rentals, lessons, vending, tournaments – which the Manager uses to cover staff wages and expenses, with any remainder going to the Manager.

2. Financial Information & Analysis.

Over the last five years membership revenue dropped 25%, with 2018 showing an 8% decline (prices were increased 10% in 2018). Without price adjustments for next year, a further decline of 5% would reduce membership revenue to approx. \$190,000.

Daily green fees revenue increased 25% over the last five years, with 2018 expected to be approx. \$190,000 (18% over 2017, the worst golf weather year in memory). Plans are to increase marketing efforts and that effort should lead to more green fees revenue in 2019.

On the operating expense side of the ledger, the current budget is the same as last year - \$415,000. Due to the declining revenue situation, necessary equipment replacements and course improvements have not been made unless absolutely necessary. In April, a fairway mower was acquired under a five year lease/purchase plan with payments of \$11,700 per year (the old

mower was three years beyond it's useful life). Recent improvements to the entrance and clubhouse were done by volunteers, with the WCC paying only for materials.

In addition to covering operating costs, we should be adding \$50,000 annually to reserves for replacement of equipment, buildings & grounds – such as the mower mentioned above. To have a “healthy” financial year the revenue goal should be \$465,000 for ‘FY19. Projected revenue, without any changes to current plans, is in the range of \$380,000 - \$400,000.

Our Certified Free Cash, which was \$369,521 on 7/1/13, is estimated to be \$194,000 as of 7/1/18.

Clearly, this situation cannot continue, and some major changes are in order.

Please see the Appendix for various financial measures of performance, and analysis of current membership/customers.

C. Community Involvement

The Committee believes that a municipal golf course should be an active participant in the recreation life of the community, encourage public play, and offer a range of golf programs for golfers of all ability levels.

The golf course is generally restricted to golf operations from early March to late December. During the winter months there is a minimal amount of snowshoeing, cross country skiing, hiking and walking. When there is sufficient snow on the hill at the seventh hole, there is sledding and tobogganing. All of these activities are on an "at your own risk" basis.

WCC is the home course for the Westborough High School Boys and Girls golf teams. We annually provide approximately 1,100 rounds of golf, without charge, to the School Department.

This summer, in partnership with the Recreation and School Departments, we introduced a "golf lessons" program for youngsters ages 7-13. The program provided golf instruction for 45 Westborough youth, and there was minimal disruption to regular golf activities. The program was a success and can serve as a model for future expansion of youth programs.

WCC hosts charitable/non-profit tournaments, provides some discounted green fees and cart rentals, or also provides gift certificates for worthy causes. We also hold First Responder and Veterans Day events where we do not charge green fees.

There are many other community events that could be held to increase the visibility of the golf course in Town and in the golf community.

IV. Goals and Objectives for Future Management.

While adopting a Mission Statement is helpful in guiding the overall direction of the course, it is critical to set goals and objectives and to assign responsibility for achieving them. The management structure put in place in 1980 is ill-suited to meet golf course challenges of 2019 and beyond.

The Committee identified several goals/objectives to be met in support of the Mission Statement:

Deliver excellent and friendly customer service to members and guests.

Maintain a quality golf course, and encourage off-season recreational activities.

Offer an affordable recreational activity while maintaining a sound financial position.

Set a revenue goal for fiscal year 2019 of \$465,000, and put plans in place to get there.

Provide a variety of golf activities for adults, juniors, seniors, and families.

Continue to develop and support youth golf programs.

After many years of passivity with regard to marketing our golf course, **WE NEED TO DEVELOP AND EXECUTE AN EFFECTIVE MARKETING PLAN.**

V. Options for future operation management of WCC.

We reviewed four possible courses of action as identified by the Operating Committee:

A. Termination of Operations.

If we cannot find a path to financial sustainability from operations, and the Enterprise Fund is exhausted, the golf course will have to close. This is a decision that can be made in the future, if necessary.

B. Net Lease.

This is a controversial topic in the golf industry. As the editor of Golf Industry News stated in his “2017 State of the Industry” commentary – Every week we get notices from golf course management companies boasting about the new courses they are taking on, but they never send us notices about their contracts that were not renewed because they did not meet expectations.

Although not directly comparable to our situation, the recent experience of the Town of Auburn is worth sharing. A number of years ago Auburn was unhappy with the performance of the contractor running their nine-hole golf course – Pakachoag Golf Course. After a lengthy litigation process they were able to regain control of the property. When researching what they should do for management, they visited Westborough to see how we do it. After looking throughout Worcester County they decided to manage the entire operation with town employees. Their “turn around” plan was quite costly and they told their Town Meeting that it would take five years to reach breakeven. Last year we returned the favor and visited them to see how things were progressing. They are ahead of plan and are generating enough revenue to make improvements to the golf course. Again, the situation is not directly comparable, but “turnarounds” are possible.

The bottom line is that contracting out the entire golf operation results in a total loss of control by the Town, and we do not recommend that option.

C. Contract(s) For Services.

Maintenance:

The contract for the golf course Superintendent provides that the Town will supply necessary equipment and supplies and the Contractor will be paid a monthly fee to maintain the course pursuant to the contract.

As part of our research effort we attempted to ascertain how much a golf course should spend on annual maintenance. We were unable to find much hard data on nine-hole municipal golf courses, but of the two closest municipal course comps (Auburn and Natick) one spends more on maintenance and one spends less.

With a need to have more specific data, we reached out to the principals of a well maintained, private, nine-hole course in our market area, and asked them to review our maintenance budget. Their response was “you spend more on labor than we do, but it appears you are more efficient with your expenses, and your total maintenance expenses seem reasonable”.

With a history of successful use, we recommend continuation of the contract approach for maintenance.

Operations:

The contract for Management Services provides that the Town will supply a golf shop and necessary utilities, and the Contractor will be paid a monthly fee to manage golf operations pursuant to the contract. In addition the monthly fee, the Contractor receives revenue from golf carts, lessons, lockers, sale of merchandise/vending, and tournament fees – which the Contractor then utilizes for staff and operating expenses with any surplus accruing to the benefit of the Contractor.

While there are many factors to consider, we do not believe contracting for golf operations is the best option available to meet our goals and objectives.

D. Town Employee Operation.

As evidenced by declining membership and negative cash flow since 2012 the existing approach to managing golf operations is not working. We need to try a different way to deliver this community recreation service for Westborough.

Our research indicates that most municipal golf courses utilize town employees to manage operations. Communities as diverse as Cambridge, Natick, Auburn, and Chicopee use this approach to manage their nine-hole golf courses.

We believe that this approach will work for us, and the logical place to assign accountability for golf course management and success is the Town Recreation Department. The “Rec Dept.” has a well-earned reputation for delivering successful recreation programs to the community, and is willing and ready to take on this responsibility.

We recommend that Operating Committee work with the Recreation Department to hire a “Director/Manager of Golf Operations”, under the direction the Recreation Department, to be responsible for all financial and operational goals of the golf course.

A financial pro-forma for employee management is included in the Appendix.

VI. Recommendations to Board of Selectmen

Based upon our research, discussions, and interviews, we recommend:

- A. The highest and best use of the property is continued operation as a golf course.
- B. The role of the golf course in our community is best expressed in the mission statement:
The mission of the Westborough Country Club is to provide a premier municipal golf course for players of all ability levels, offer affordable memberships and greens fees, a quality golf course, in a welcoming environment for Westborough residents and the area golf community.
- C. The most effective management structure would be to continue to contract out maintenance operations, and to have a Town employee, under the direction of the Recreation Department, manage the golf operations.

VIII. Appendix:

Financial and Management Documents Utilized by the Committee:

- A. Annual Town Reports.
- B. Financials results 7/1/2008-6/30/2018.
- C. Budget FY '19.
- D. Superintendent Contract (incl. equipment list).
- E. Management Services Contract (including the AG Advisory).
- H. Master Plan(s) for course improvements.
- I. 2018 Member Letter/Schedule

Information Sources:

- A. Auburn/Pakachoag - B.C. DPW
- B. Cambridge/Fresh Pond - R.C. PGA
- C. Mass Golf Assn. – B.B. - Member Services
- D. Natick/Sassamon Trace - A.B. + On Line Documents
- E. Lynnfield/Ready Meadow - D.L. Manager/Owner
- F. Westborough Country Club -Jack Negoshian PGA, Mike Hightower, Superintendent
- G. Whitinsville Golf Club -T. D.
- H. Golf Course Industry magazine Editor – G.C.

Membership & Financial Performance Exhibits:

A. 2018 Membership/Customer Analysis:

Members	No.	Age	Res/N-R	M/F
Junior	83	13-18	59/24	75/8
Junior Ex.	19	19-30	12/7	18/1
Regular	65	36-59	44/21	51/14
Senior	126	60+	70/56	105/21
Total	293		105/98	249/44
Adults	191		114/77	156/35
Green Fees	?	?	?	?

B. Other financial measures

	2012	2013	2014	2015	2016	2017	2018
Free Cash	\$369,521	\$355,946	\$320,237	\$272,055	\$220,713	\$225,464	\$194,000
M+GF Rev	\$402,815	\$385,116	\$376,470	\$390,589	\$392,035	\$378,995	\$371,375
\$ Spent	\$446,517	\$421,119	\$410,911	\$513,690	\$406,662	\$370,975	\$390,273

C. Financial Pro Forma for Employee Management

See Attachment

2019 Budget		WCC Financial Model with contractors + employees		
		2019	2020	2021
	Income:			
198,923	Mem/SP	198,923	208,869	219,313
	Hndcp Fees (net)	3,000	3,000	3,000
190,000	Green Fees	209,000	219,450	230,423
0	Lessons	13,410	14,751	16,226
0	Carts	83,433	91,776	100,953
10,000	Sponsors/Ads	5,000	10,000	15,000
0	Tournaments	10,000	10,000	10,000
0	Outings	0	0	2,400
0	Lockers	2,500	3,000	4,500
0	Vend/Merch	6,000	6,000	6,000
0	BevCart	0	0	0
<u>398,923</u>	Gross Inc.	<u>531,266</u>	<u>566,846</u>	<u>607,815</u>
2,500	CCardFees	3,135	3,292	3,456
<u>0</u>	Cart Lease	<u>22,033</u>	<u>22,033</u>	<u>22,033</u>
<u>396,423</u>	OpInc	<u>506,098</u>	<u>541,521</u>	<u>582,325</u>
	Course Exp:			
214,554	Supt	214,554	220,991	227,620
0	Asst Supt	n/a	n/a	n/a
0	Other Labor	n/a	n/a	n/a
54,000	Chemicals, etc	54,000	55,620	57,289
35,000	Parts/Supplies	35,000	36,050	37,132
15,100	Utilities	17,500	18,025	18,566
5,000	Fuel	5,000	5,150	5,305
2,000	Irr/Aer	2,000	2,000	2,000
5,700	Bldg/Grounds	6,500	6,500	6,500
<u>0</u>	Misc	<u>6,691</u>	<u>6,892</u>	<u>7,099</u>
331,354	Total Course Exp	341,245	351,227	361,509
	Golf Shop Exp			
62,400	Dir Golf	62,400	64,272	66,200
0	DG Benefits	19,000	19,570	20,157
1,500	Dues/Subsc.	2,500	2,500	2,500
0	Teaching Pro	6,300	6,489	20,000
1,000	Mkt Dir	10,000	15,000	20,000
0	Hrly Labor	36,000	36,000	36,000
0	Cart Labor	7,200	7,800	8,400
<u>0</u>	POS System	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
64,900	Total GS Exp	145,400	153,631	175,257
396,254	Total Op Exp	486,645	504,858	536,767
<u>21,800</u>	Town Allocations	<u>25,000</u>	<u>25,750</u>	<u>26,523</u>
418,054	Total Exp.	511,645	530,608	563,289
396,423	Total Op Inc	506,098	541,521	582,325
<u>418,054</u>	Total Exp.	<u>511,645</u>	<u>530,608</u>	<u>563,289</u>
-21,631	Net Op Inc	-5,548	10,913	19,036

396,423	Total Op Inc	506,098	541,521	582,325
<u>418,054</u>	Total Exp.	<u>511,645</u>	<u>530,608</u>	<u>563,289</u>
-21,631	Net Op Inc	-5,548	10,913	19,036
6,379	Course Imp	6,379	6,379	6,379
12,500	Mower	11,790	11,790	11,790
0	Misc	0	0	0
<u>18,879</u>	Total Cap Exp	<u>18,169</u>	<u>18,169</u>	<u>18,169</u>
<u>-40,510</u>	Cash In/Out	<u>-23,717</u>	<u>-7,256</u>	<u>867</u>
31,121	Goal for Reserves	31,121	31,121	31,121
-71,631	Short/Over	-54,838	-38,377	-30,254
	Benefits to Town:			
17,050	H S Golf Teams	17,050	17,050	17,050
5,183	Youth Greens Fees	5,183	5,183	5,183
<u>13,805</u>	Resident Discounts	<u>13,805</u>	<u>13,805</u>	<u>13,805</u>
-35,593	Economic Return	-43,700	-2,339	36,038